

Thailand's Economic Indicators (June & 2Q18)

Better domestic demand readings, but external sector weakened despite double-digit export growth

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Key Takeaways: Export growth remains strong, but weaker services receipts made for a narrower current account surplus in 2Q18. Exports of goods in June rose 10% YoY (BOP basis), led by petroleum products and electronics, making for 2Q18 merchandise export growth of 12.3% YoY. Imports of goods in June increased 12.9% YoY, which, as in April, was largely due to higher prices for imported crude. That brought 2Q18 merchandise import growth to 16.8% YoY, so the trade surplus narrowed from US\$6.6bn in 1Q18 to \$5.8bn in 2Q18. As tourism entered low season in 2Q18, services income slumped, so the services, income, and transfers balance dived from \$8.3bn in 1Q18 to \$0.6bn in 2Q18. Hence, the current account surplus declined sharply from \$15bn in 1Q18 to \$6.4bn in 2Q18 (Figure 1).

Domestic demand indicators revealed better readings in 2Q18.

The Private Consumption Index (PCI) rose 3.4% YoY, slower than May's 4.5% YoY, as farm income growth decelerated in tandem with lower production. Nevertheless, the 2Q18 PCI was up 4.2% YoY, faster than the 2.9% YoY reported for 1Q18 (Figure 2), led by higher car purchases. Furthermore, the Private Investment Index (PII) accelerated from 2.0% in 1Q18 to 4.6% in 2Q18—note that capacity utilization hit 70% in June, its highest level in four years (Figure 3). Meanwhile, government current expenditure increased by 5% YoY and government capital expenditure by 7.7% YoY in 2Q18 (Figure 4), a recovery from the low base set by 2017.

Firmer domestic demand supported core inflation at 0.8% in June. Headline inflation was 1.38% for the month—refined petroleum product prices rose significantly, but food prices dropped.

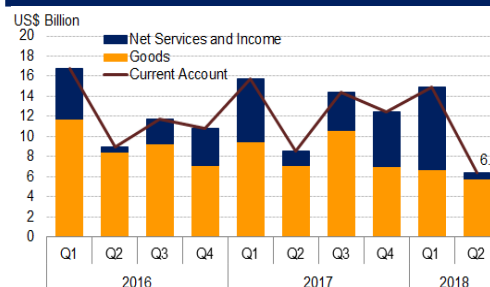
Our assessment

Thai exports continued to perform well through 2Q18, despite escalating global trade disputes. But imports rose even faster, while services income slumped in tandem with the end of tourism high season. Therefore, we expect 2Q18 GDP growth of about 4.2% YoY, a deceleration from 4.8% YoY in 1Q18.

Leading indicators point to firmer domestic demand, so looking ahead we expect bigger contributions by consumption and investment to economic growth.

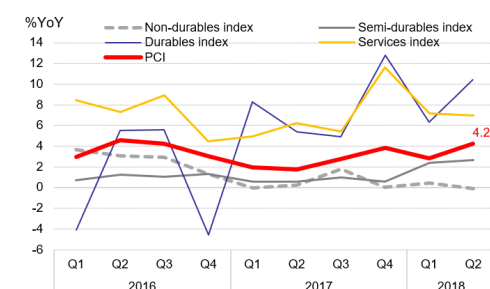
However, there is uncertainty over the scale of government investment because, despite YoY expansion in state capital expenditure, progress in opening tenders for planned public infrastructure projects has been slower than expected. Another point of concern is the overall PCI—growth in purchases of semi-durable goods remains soft and purchases of non-durables declined slightly in 2Q18, which suggests that the recovery in consumption is not yet broad-based. This could cause core inflation to fall short of expectations (and even headline inflation, given low prevailing raw food prices and the possibility of lower oil prices).

Figure 1: Current Account Balance



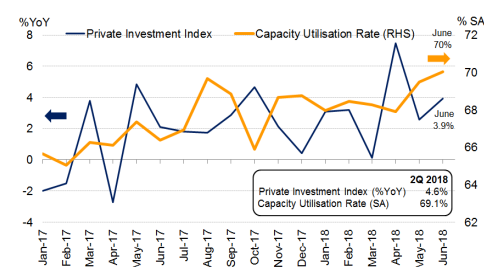
Source: Bank of Thailand

Figure 2: Private Consumption Index (PCI)



Source: Bank of Thailand

Figure 3: Private Investment Index (PII) against capacity utilization



Source: Bank of Thailand, Office of Industrial Economics

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Figure 4: Monthly economic indicators

	2017	2017				2018			
		Q1	Q2	Q3	Q4	Q1	Q2	May	June
Private Consumption									
Private Consumption Index (PCI)	118.8	115.5	117.7	120.6	121.6	118.8	122.7	121.6	119.1
PCI (% YoY)	2.6	2.0	1.7	2.8	3.8	2.9	4.2	4.5	3.4
Imports of consumer goods (% YoY)	7.5	1.7	7.7	7.5	12.9	20.3	12.7	9.2	7.5
Motorcycle sales (% YoY)	5.2	4.4	8.2	0.2	8.2	0.7	-3.7	-10.8	2.1
Passenger car sales (% YoY)	18.1	19.1	11.3	9.5	32.1	14.8	25.1	29.0	21.6
Non-durable index (% YoY)	0.5	0.0	0.2	1.8	0.0	0.5	-0.1	0.2	-0.8
Semi-durable index (% YoY)	0.7	0.6	0.6	1.0	0.6	2.4	2.7	2.4	2.3
Durable index (% YoY)	8.0	8.3	5.4	4.9	12.8	6.3	10.4	9.5	10.7
Service index (% YoY)	7.1	5.0	6.3	5.4	11.6	7.2	7.0	6.7	7.0
Net tourist spending (% YoY)	13.5	7.4	15.2	9.2	23.7	10.6	4.5	1.5	7.7
Private Investment									
Private Investment Index (% YoY)	1.6	0.2	1.5	2.1	2.4	2.0	4.6	2.6	4.0
One-ton pickup sales (% YoY)	7.7	7.8	0.8	13.2	8.7	10.5	26.8	25.3	29.5
Commercial car sales (% YoY)	9.6	13.7	1.9	17.5	6.1	11.8	29.1	27.9	34.8
Permitted construction area (9mma) (% YoY)	-0.8	-4.1	0.6	0.4	0.2	1.3	0.3	1.6	-2.0
Construction materials index (% YoY)	-0.9	-3.3	0.0	2.2	-2.3	-1.8	0.5	3.6	-0.8
Newly registered motor vehicle for investment (% YoY)	5.7	-3.4	10.3	6.5	11.8	3.0	6.8	4.4	5.3
Import of capital goods (% YoY)	3.2	-1.1	5.3	4.4	4.2	2.8	6.6	1.5	8.8
Import of raw materials (% YoY)	15.7	19.7	14.5	12.4	16.6	19.5	21.2	14.6	20.4
Capacity utilisation (%)	67.1	69.6	64.5	67.1	67.4	72.5	66.6	69.8	69.0
Capacity utilisation (%) (SA)	-	65.6	66.6	68.5	67.8	68.2	69.1	69.5	70.0
MPI (% YoY)	2.5	0.1	0.8	5.0	4.4	4.1	3.5	2.9	4.7
Government Expenditure									
Current expenditure ex. subsidies/grants and other (billion baht)	1547.9	376.4	361.7	382.3	427.6	382.9	379.9	132.6	125.3
Current expenditure ex. subsidies/grants and other (% YoY)	1.7	0.9	0.2	4.2	1.7	1.7	5.0	11.8	0.3
Capital expenditure ex. subsidies/grants and other (billion baht)	397.7	111.7	84.5	100.2	101.2	111.6	91.0	29.6	35.6
Capital expenditure ex. subsidies/grants and other (% YoY)	-5.0	7.6	-21.7	3.0	-7.6	0.0	7.7	2.1	7.1
External Sector									
Exports of goods (BoP, billion USD)	235.3	56.2	56.1	61.8	61.1	61.8	63.0	22.3	21.8
Exports (% YoY)	9.8	6.8	7.9	12.8	11.6	9.9	12.3	13.1	10.0
Export vol (% YoY)	6.0	2.9	5.0	9.0	7.0	4.9	7.5	8.1	5.5
Imports of goods (BoP, billion USD)	201.1	46.8	49.0	51.2	54.1	55.2	57.2	19.6	18.9
Imports (% YoY)	13.2	14.3	12.6	12.4	13.4	17.9	16.8	12.7	12.9
Import vol (% YoY)	7.2	5.8	7.7	8.3	7.2	10.7	8.9	5.0	4.7
Tourist arrivals (million arrivals)	35.4	9.2	8.1	8.8	9.3	10.6	8.9	2.8	3.0
Tourist arrivals (% YoY)	8.8	2.1	8.3	6.4	19.5	15.4	9.1	6.4	11.6
Tourist revenue (billion baht)	1824.0	481.7	395.0	453.4	494.0	573.3	442.6	136.7	148.4
Tourist revenue (% YoY)	11.7	5.7	9.8	8.8	23.2	19.0	12.1	9.0	14.5
Trade balance (billion USD)	34.2	9.5	7.1	10.6	7.0	6.6	5.8	2.7	2.9
Net services, income and transfers (billion USD)	16.9	6.2	1.4	3.8	5.4	8.3	0.6	-1.7	1.2
Current account (billion USD)	51.1	15.7	8.5	14.4	12.5	15.0	6.4	1.0	4.1
Capital account (billion USD)	-0.1	0.0	0.0	0.0	-0.1	-0.6	0.0	0.0	0.0
Financial account (billion USD)	-19.1	-7.0	-5.7	0.5	-6.9	-2.8	-7.1	0.1	-7.0
Overall balance (billion USD)	26.0	8.2	2.0	12.6	3.2	12.0	-4.3	0.1	-5.3
International reserves (billion USD)	194.0	172.7	177.3	190.9	194.0	206.9	198.4	204.1	198.4
Net forward position (billion USD)	36.7	26.6	31.3	31.2	36.7	35.8	33.0	33.4	33.0
Labor Market									
Unemployment (%)	1.2	1.2	1.2	1.2	1.1	1.2	1.1	1.0	1.1
Farm income (% YoY)	2.8	19.6	13.2	-3.3	-8.2	-2.3	6.2	8.0	4.3
Non farm income (% YoY)	0.2	-0.6	0.4	1.1	0.0	3.5	1.5	-0.1	0.8
Wage chg (% YoY)	-0.1	-0.6	-0.2	0.5	0.1	2.3	0.0	0.1	0.7
Interest Rate and Currency									
CPI (%)	0.7	1.3	0.1	0.4	0.9	0.6	1.3	1.5	1.4
CPI, core (%)	0.6	0.7	0.5	0.5	0.6	0.6	0.8	0.8	0.8
Repo rate (%)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
MLR : max (%)	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
3M deposit rate (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
10Y govt bond yield (%)	2.6	2.81	2.57	2.41	2.58	2.56	2.58	2.8	2.8
THB/USD (avg)	33.92	35.10	34.30	33.36	32.91	31.54	31.92	31.96	32.49

Source: Bank of Thailand, CEIC, Fiscal Policy Office

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